

Message Text

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PAGE 01 ROME 01148 241843Z
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SUBJECT: ITALIAN LABOR CONFRONTS AUSTERITY: LABOR-INDUSTRY
AGREEMENT ON LABOR COST REDUCTION NEARLY COMPLETE

REF: ROME 802

SUMMARY. ONLY A FEW DETAILS AND THE INTRODUCTORY STATEMENT
REMAIN TO BE IRONED OUT IN LABOR COST REDUCTION NEGOTIATIONS
BETWEEN ITALIAN LABOR (CCU) AND PRIVATE INDUSTRY (CONFINDUSTRIA).
OPTIMISM IS GENERAL THAT THE AGREEMENT, BASED ON THE SACRIFICES
OFFERED BY THE UNIONS, WILL BE CONCLUDED AFTER NEGOTITATIONS
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PAGE 02 ROME 01148 241843Z

RESUME JAN. 25, AND BEFORE THE ANDREOTTI CABINET MEETS JAN. 38.
THAT CABINET MEETING MAY CONSIDER FURTHER AUSTERITY AND LABOR
COST REDUCTION MEASURES TO MEET INTERNATIONAL LENDER' DEMANDS.
MAJOR ISSUE REMAINING BETWEEN CCU AND CONDINDUSTRIA IS
HOW FAR CCU CAN PERSUADE CONFINDUSTRIA TO GO IN INTRODUC-
TORY STATEMTN IN ACKNOWLEDGING VALUE OF UNION SACRIFICES
IN RESTORING COMPETITIVITY OF ITALIAN INDUSTRY, AND IN

DISSUADING GOI FROM FURTHER ACTION ON COST OF LABOR.
END SUMMARY

1. IN THREE DAYS OF MEETINGS, JAN. 20-22, LEADERS OF ITALY'S TRI-CONFEDERAL UMBRELLA LABOR FEDERATION CGIL-CISL-UIL (CCU) AND PRIVATE INDUSTRY EMPLOYER CONFEDERATION CONFINDUSTRIA REACHED AGREEMENT ON ALL BUT A FEW DETAILS OF THE LABOR-COST-REDUCTION PACKAGE CCU PRESENTED TO CONFINDUSTRIA. AS NOTED IN REFTEL AND PREVIOUS, THIS PACKAGE INCLUDES ELIMINATION OF COST-OF-LIVING INCREASES IN SEVERANCE PAY; STANDARDIZATION OF THE COST-OF-LIVING ESCALATOR SYSTEM TO ELIMINATE MORE FAVORABLE SYSTEMS ENJOYED IN SOME SECTORS; STAGGERING VACATIONS; WORKING SEVEN FORMER HOLIDAYS; REDUCING ABSENTEEISM; ALLOWING INCREASE SHIFTS AND, TO SOME EXTENT, OVERTIME, IN SOUTH ITALY; AND INCREASING LABOR MOBILITY INTERNAL AND EXTERNAL TO THE FIRM AS LONG AS JOBS ARE NOT LOST. THE AGREEMENT WILL ALSO PROBABLY INCLUDE A RECOMMENDATION THAT THE GOVERNMENT ASSUE ("FISCALIZE") ABOUT ONE TRILLION LIRE (ABOUT \$900 MILLION) OF THE VERY HIGH SOCIAL SECURITY AND OTHER SOCIAL CONTRIBUTION COSTS BORN BY ITALIAN EMPLOYERS.

2. ASIDE FROM A FEW DISAGREEMENTS ABOUT DETAILS (E.G., WHETHER THE SEVEN SUPPRESSED HOLIDAYS SHOULD BE PAID AT OVERTIME OR HOLIDAY PAY RATE), THE MAIN STICKING POINT IN THE WORDING OF THE PREAMBLE TO THE AGREEMENT IS THE MAXIMUM POSSIBLE SACRIFICE THE WORKERS CAN MAKE, THAT ITS LABOR COST REDUCTIONS WILL BE SUFFICIENT TO ENABLE ITALIANS INDUSTRY TO REMAIN COMPETITIVE, AND TO CONTAIN SOME SORT LIMITED OFFICIAL USE

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PAGE 03 ROME 01148 241843Z

OF ADMONITION AGAINST GOI INTERVENTION INTO THE AREA COVERED BY FREE COLLECTIVE BARGAINING. CONFINDUSTRIA FEELS THE LABOR CONCESSIONS, THOUGH HELPFUL, MAY BE INSUFFICIENT, AND IS RELUCTANT TO DO ANYTHING TO HAMPER GOI ACTION TO REDUCE INDUSTRY'S COSTS OR TO RESTRAIN DEMAND AND INFLATION, ALTHOUGH CONFINDUSTRIA TOO WOULD PREFER TO AVOID ANY GOI INTERVENTION WHICH WOULD SUPPLANT OR INTERFERE WITH COLLECTIVE BARGAINING. ITALIAN VIRTUOSITY WITH THE SUBTLETIES OF LANGUAGE IS EXPECTED TO OVERCOME THESE DIFFERENCES AND PRODUCE A COMPROMISE PREAMBLE.

3. ANOTHER IMPORTANT ELEMENT IN THE CCU OFFER TO RESTRAIN LABOR COSTS IN LIMITATION OF COMPANY-LEVEL WAGE DEMANDS. INDEED, CCU LEADERS (ESPECIALLY LAMA AND BENVENUTO) HAVE DISPLAYED CONSIDERABLE COURAGE IN PRESSING LOWER LEVEL LEADERS AND RANK-AND-FILE HARD ON THIS POINT, INSISTING THAT THE COST-OF-LIVING ESCALATOR WILL BECOME INDEFENSIBLE UNLESS COMPANY-LEVEL INCREASES ARE HELD TO A BARE MINIMUM. THIS POINT WILL BE COVERED IN THE CCU-CONFINDUSTRIA AGREEMENT.

MENT. PERHAPS MORE IMPORTANT IS THE SUCCESS OF LABOR'S LEADERSHIP, THUS FAR, IN PERSUADING ASSEMBLIES AT FIAT AND OLIVETTI TO LIMIT DEMANDS. THE OLIVETTI ASSEMBLY AGREED TO LIMIT AVERAGE COST OF ALL ECONOMIC DEMANDS (MOSTLY BONUS ADJUSTMENTS TO EVEN OUT PAY LEVELS) TO ABOUT 7,000 LIRE PER MONTH PER WORKER (I.E. LESS THAN \$8 PER MONTH), THE PATTERN SETTING FIAT DEMANDS, DESPITE FIAT'S ECENT WIDELY-PUBLICIZED INCREASE IN CAPITAL, WERE HELD TO AN IMMEDIATE AVERAGE ADJUSTMENT VARIOUSLY ESTIMATED AT FROM 5-7,000 LIRE PER MONTH IN THE ANNUAL PRODUCTION BONUS, WHICH WILL BE MADE UNIFORM FOR ALL WORKERS AND DISCONNECTED FROM THE COST-OF-LIVING ESCALATOR, PLUS A 10,000 LIRE MONTHLY BONUS INCREASE BEGINNING IN 1978.

4. VARIOUS MINISTRIES ARE PREPARING AUSTERITY PROPOSALS FOR CABINET CONSIDERATION, PERHAPS AT THE JAN. 28 CABINET MEETING. AMONG MEASURES RUMORED UNDER CONSIDERATION ARE LIMITED OFFICIAL USE

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PAGE 04 ROME 01148 241843Z

FISCALIZATION OF INDUSTRY SOCIAL CONTRIBUTIONS, DRIVING RESTRICTIONS AND ADDITIONAL TAXES TO ABOSORB SOME OF THE FEBRUARY COST-OF-LIVING INCREASES. UNION LEADERS ARE WARNING AGAINST ANY BACK-HANDED NULLIFICATION OF THE COST-OF-LIVING ESCALATOR. OPTISM IS GENERAL THAT THE CCU-CONFINDUSTRIA AGREEMENT WILL BE SIGNED BEFORE THE JAN. 28 CABINET MEETING.

5. COMMENT. IT APPEARS THAT THE LABOR-MANAGEMENT PORTION IS ABOUT COMPLETED IN THE COMPLEX MANEUVERING ON AUSTERITY, INVESTMENT AND LABOR COSTS SET UNDERWAY BY ITALY'S EXCESSIVE LABOR COST INCREASES, INFLATION, BALANCE OF PAYMENTS IN-BALANCE AND THUS NEED FOR FOREIGN LOANS, LABOR LEADERS, INCLUDING ALLEGED INTRASIGENT BENVENUTO, HAVE TOLD EMBASSY OFFICERS THAT THEY ARE OPTIMISTIC THAT THE SETTLEMENT WILL BE WRAPPED UP QUICKLY, BEFORE JAN. 28. THE BALL WILL THEN BE IN THE GOVERNMENT'S COURT. BEAUDRY

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